

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 EB-08 COME-00 AGRE-00 OMB-01 TRSE-00
IO-13 PA-01 PRS-01 USIA-06 L-03 AF-10 ARA-06
EUR-12 NEA-10 XMB-02 STR-04 CIAE-00 INR-07
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EA/P - M. SMITH

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652: N/A

TAGS: EPAP, RP, US

SUBJECT: U.S. SUGAR POLICY - NEGOTIATION OF NEW ISA

REF: (A) STATE 81085# (B) MANILA 5391 (C) MANILA 5518

1. "JOURNAL OF COMMERCE" CARRIED APRIL 15 STORY HEADLINED
"CARTER WILL SOON UNVEIL SUGAR ACCORD PROPOSAL", FULL TEXT
OF WHICH FOLLOWS:

UNCLASSIFIED: "THE CARTER ADMINISTRATION WILL UNVEIL ITS
FIRST SUBSTANTIVE PROPOSAL FOR AN INTERNATIONAL COMMODITY
AGREEMENT AT A SUGAR CONFERENCE STARTING MONDAY IN GENEVA.

U.S. OFFICIALS APPEAR OPTIMISTIC THAT THE SIX-WEEK NEGOTIA-
TION WILL LEAD TO A NEW INTERNATIONAL PACT TO STABILIZE
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WORLD RAW SUGAR PRICES. AS MANY AS 100 NATIONS MAY
ATTEND THE TALKS.

THE U.S. PLAN IS TO KEEP RAW SUGAR PRICES WITHIN A RANGE
REMUNERATIVE TO PRODUCERS AND REASONABLE FOR CONSUMERS.
THE MOST OFTEN CITED RANGE, WHICH AGRICULTURE SECRETARY BOB
BERGLAND REPORTEDLY BACKS, IS BETWEEN 10 AND 20 CENTS A

POUND.

WITHIN THAT RANGE WOULD BE A 'CENTRAL BAND' FROM 12 TO 18 CENTS, SUPPORTED BY BOTH EXPORT QUOTAS AND AN INTERNATIONALLY MANAGED BUFFER OR INTERVENTION STOCK.

EXPORT QUOTAS - A SYSTEM OF EXPORT QUOTAS APPARENTLY WOULD SERVE AS THE BASIC MEANS OF STABILIZING PRICES, UNDER THE AMERICAN PLAN. EACH EXPORTING NATION WOULD BE ALLOTTED A QUOTA, PRESUMABLY GEARED TO RECENT MARKET SHARES AND EXPORT CAPACITY.

TRADITIONALLY UNDER EXPORT QUOTA ARRANGEMENTS, ALLOTMENTS WOULD BE EXPANDED AS PRICES RISE AND REDUCED AS PRICES FALL.

TWO KINDS OF SUGAR STOCKS REPORTEDLY ARE PART OF THE U.S. PROPOSAL--THE INTERNATIONALLY MANAGED 'INTERVENTION' OR BUFFER STOCK AND 'MINIMUM' STOCKS HELD INDIVIDUALLY BY THE EXPORTING COUNTRIES.

SUGAR WOULD BE RELEASED FROM THE INTERVENTION STOCK AS PRICES ADVANCED BEYOND THE CENTRAL BAND AND BOUGHT WHEN PRICES STRIKE THE BAND'S LOW END.

THE STOCK MIGHT BE FINANCED BY THE WORLD BANK, INDUSTRIAL CONSUMER NATIONS AND THE WEALTHIER EXPORTER COUNTRIES. THE U.S. SHARE OF THE FINANCING COULD RUN ABOUT DOLLARS 35 TO 45 MILLION, IT IS SUGGESTED. LIMITED OFFICIAL USE

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IT WOULD MARK THE FIRST U.S. CONTRIBUTION EVER TO AN INTERNATIONAL BUFFER STOCK.

THE 'MINIMUM' STOCKS TO BE HELD BY THE SUGAR EXPORTING NATIONS WOULD COMBINE TO BE MUCH LARGER THAN THE RELATIVELY MODEST INTERVENTION STOCK. THESE STOCKS WOULD SERVE MAINLY TO HELP ASSURE CONSUMER COUNTRIES CONTINUITY OF SUPPLY IN TIMES OF SEVERE SHORTAGE.

THE CARTER ADMINISTRATION'S APPROACH APPEARS LIKELY TO WIN GENERAL SUPPORT AMONG THE DEVELOPING NATIONS EXPORTING MOST OF THE WORLD'S SUGAR. THEY ARE SAID TO FAVOR EXPORT QUOTAS AS THE FUNDAMENTAL WAY TO STABILIZE PRICES. DEVELOPING NATIONS ALSO HAVE URGED A BUFFER OR INTERVENTIONAL STOCK FOR SUGAR.

BUT THE EUROPEAN COMMUNITIES (EC), BOTH A MAJOR SUGAR CONSUMER AND A SIGNIFICANT EXPORTER IS EXPECTED TO STIR

DEBATE BY PROPOSING THAT A SUGAR STOCKPILE, RATHER THAN EXPORT QUOTAS, BE THE KEY TO ANY NEW PRICE-STABILIZING PACT.

OVER THE LAST 20 YEARS, THERE HAVE BEEN THREE INTERNATIONAL SUGAR AGREEMENTS, BUT THE U.S. HAS NOT PARTICIPATED SINCE THE EARLY 1960S.

THE LAST PRICE-STABILIZING PACT WAS NEGOTIATED IN 1968, BUT TODAY IT CONTINUES ONLY AS A STATISTICAL-GATHERING FORUM.

RAW SUGAR PRICES IN RECENT YEARS HAVE FLUCTUATED WILDLY, REACHING A RECORD 64 CENTS A POUND IN NOVEMBER 1974, ONLY TO DIP LAST SEPTEMBER TO NINE CENTS. THE PRESENT RAW PRICE IS ABOUT 12 CENTS.

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CURRENTLY, THREE INTERNATIONAL COMMODITY PACTS INCLUDE PRICE-STABILIZING PROVISIONS, IN COFFEE, COCOA, AND TIN. BUT EACH AGREEMENT IS ESSENTIALLY INOPERATIVE, AS PRICES HAVE SOARED WELL BEYOND LEVELS COVERED IN THE THREE PACTS.

THE U.S. BELONGS TO THE COFFEE AND TIN PACTS, BUT REJECTED THE COCOA AGREEMENT'S PRICING PROVISIONS AS TOO RIGID. THE TIN AGREEMENT, LIKE COCOA, HAS A BUFFER STOCK PROVISION, BUT THE U.S. HAS NOT YET AGREED TO CONTRIBUTE TO IT." END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. STORY GENERALLY ACCURATE, BUT UNTIL U.S. FORMALLY PRESENTS ITS ISA PROPOSAL IN GENEVA, DEPT. HAS NO COMMENT.

3. UNSON ARRIVED AT PHILIPPINE EMBASSY 1600 THIS AFTERNOON (FRIDAY, APRIL 15). APPOINTMENT HAS BEEN ARRANGED WITH EB (O'DONNELL) AT 1730.
CHRISTOPHER

NOTE BY OC/T: REFTEL A BELIEVED TO BE 81086.

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